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HONOLULU STAR BULLETIN (HI)

11 April 1984

Rewald Says He Got CIA Secret Japan Train Plans

By Charles Memminger
Star-Bulletin Writer

In a recent British television report, Ronald Rewald talks about obtaining for the CIA secret plans of a Japanese high-speed train still being developed.

But an official at Japan Air Lines, the company that is developing the High Speed Surface Train (HSST) said he can "guarantee" that no such plans ever were taken from JAL.

The reason Takao Matsusue, JAL regional manager in Hawaii, doubts Rewald's claim is that the HSST project engineers welcomed inquiries about the magnetic-levitation train and actually were aggressive in seeking attention.

The HSST is Japan's version of a train that speeds along a track while hovering only millimeters off a rail through magnetic levitation. Several countries, including West Germany, France, Japan and the United States, are testing various designs of the train that can travel more than 100 miles per hour. The object is to provide rapid mass transportation between destinations not served by airplanes.

The British Broadcasting Corp. recently aired an investigative re-

port on Rewald, in which it claimed Rewald's company — Bishop, Baldwin, Rewald, Dillingham & Wong — was a CIA front.

IT LISTED a number of things Rewald allegedly did for the CIA, including stealing the plans for the HSST, supplying military arms to Taiwan and spying on Philippines President Ferdinand Marcos.

While officials involved in the investigation of Rewald and his company acknowledge that there was some CIA involvement, they still do not know the entire scope of the involvement. Federal Judge Martin Pence has said that Rewald has tried to exploit minor ties to the CIA.

The BBC obtained a tape recording of a conversation be-

tween Rewald and his attorney while Rewald was in prison in which he discusses the HSST plans.

On the tape, Rewald says: "I'm a little concerned about your use of me obtaining the blueprints for the HSST project in Japan in that I don't want to end up in bigger trouble than I am. Obviously, I did acquire this for the agency. It wasn't for personal gain or anything else. It was for the agency. I don't want to go to jail for stealing secret plans."

ROBERT SMITH, Rewald's attorney, acknowledges that it is Rewald speaking on the tape, but said he does not know how the BBC obtained the recording. He will not talk about the HSST, saying he is barred from discussing it by a federal court order limiting discussion on CIA matters. Rewald also will not discuss the HSST because of the court order.

JAL officials here, however, do not see any reason to be secretive about the HSST. In fact, they said engineers were eager to show off the prototype of the HSST even back in 1979 when Rewald was in contact with JAL.

"Many people were invited to the test plant," said John Hayasaka, assistant JAL regional manager who has taken rides on the test train. Hayasaka said HSST documents found in Bishop, Baldwin files after Rewald's company collapsed "were absolutely nothing that anybody couldn't get."

Regional Manager Matsusue said JAL knows of no secrets about the the HSST that ever were lost to either government or industrial spies. Hayasaka said any parts of the HSST that were "innovative" were protected by international patents.

HAYASAKA ALSO said that although Japan and the United States are highly competitive in developing computers, there is no similar competition in the development of high-speed trains.

Costakis Papacostas, a transportation engineer at the University of Hawaii, said while parts of the HSST project might have contained innovative features, "it was no secret that (JAL) was working on (the HSST)."

"A couple of years ago, people here were invited to Japan to inspect the system," Papacostas said.

Rewald's files, now in the hands of the bankruptcy trustee, contain letters between Rewald and Akira Hayashi, developer of the HSST. One letter from Rewald is written on CMI Investment Corp. stationery.

(CMI, which Rewald formed in Wisconsin before he moved to Hawaii, was the predecessor to Bishop, Baldwin.)

Bankruptcy officials have determined that the CIA apparently did use CMI as a maildrop and a front from some CIA activities.

IT WAS IN RESPONSE to the CMI letter that Hayashi sent Rewald a packet of detailed information about the HSST. But it was information JAL officials say would be sent to anyone requesting it.

At about the same time Rewald allegedly received secret information about the HSST, there were plans to display the Japanese train project at Chicago's Museum of Science and Industry, at the Paris Air Show and a transportation exposition in West Germany, according to a HSST brochure.

HONOLULU ADVERTISER (HI)
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~~8~~ from CIA seen as Rewald investors

By Walter Wright
Advertiser Staff Writer

Eight of the 318 investors in Ronald Rewald's company were CIA personnel, and they placed something less than \$500,000 with the company, according to an official familiar with the case.

Two of the Central Intelligence Agency investors are already known — former Honolulu station chiefs John Kindschi and Jack Rardin.

A third CIA investor is described as a bona-fide CIA agent who was not on the company payroll but did use Rewald's firm — Bishop Baldwin Rewald Dillingham & Wong — as a cover.

Five other CIA employees were reportedly persuaded to invest in the company by the CIA agent.

They all are said to claim that they thought they were making wise investments of their personal funds, and were no brighter than the other 310 investors who lost close to \$12 million.

But Rewald, in a \$671 million lawsuit against the CIA, is trying to prove that the money from the CIA personnel, and more, was just CIA funds pumped into the company to finance CIA operations. The CIA, Rewald insists, was his partner and caused the downfall of his company.

Rewald faces trial in June on state charges he stole investor money. The bankruptcy trustee in the case says Rewald diverted \$4.6 million from the \$20 million investor accounts to himself for "personal spending."

Rewald says the CIA and its representatives used Bishop Baldwin investment accounts and other investments to shelter the money of highly placed foreigners and for the CIA's own use.

"Bishop Baldwin's main depository account," Rewald's suit says, "consisted of (1) funds from legitimate investors; (2) funds from the CIA, and (3) cover funds from highly placed foreigners."

Rewald says the money was used to meet company overhead, to make legitimate investments and for "CIA-directed projects."

The bankruptcy trustee says that little or no investor money ever was invested in anything and that the only CIA money he could find was \$2,744 used to reimburse Rewald for telephone and Telex bills.

Rewald's Honolulu attorney, Robert Smith, said yesterday that he intends to follow investors' dollars back to their ultimate source, "and there are a number of names I can put on a list of suspects." Smith's investigator, Dirk Von Gunther, already has asked bankruptcy officials for company records regarding the deposits of several individuals.

The search puts the CIA in a ticklish position, even if the investments were innocent, because it could lead to exposure of employees and agents.

Some of the CIA personnel who invested got their money back; others left it in.

Retired Honolulu station chief Kindschi put in \$185,000 and withdrew \$175,000, including \$140,000 just before the company shut down in August. Kindschi had another account jointly with Hazel Kindschi in which \$40,000 was deposited and withdrawn.

John Kindschi, after retiring from the CIA, was a \$60-an-hour "consultant" with Rewald's company. Rewald says Kindschi was also a member of its board of directors. Kindschi was paid more than \$68,000 by

the company for his services.

After the company closed, it was Kindschi's complaints to authorities that led to filing of state theft charges against Rewald.

Former Honolulu station chief Rardin, transferred to another CIA assignment recently, shows up on the company books as an investor of \$1,500 who withdrew \$2,328 in May.

And the full-fledged CIA agent who invested also withdrew not only his deposit but also the "interest" which Rewald was promising all investors, an official said.

The agent withdrew the money early last year after the CIA discovered that the Internal Revenue Service was investigating Rewald and took steps to get its agent clear of the company, the official said.

Given Rewald's admitted connections with the CIA, it is not surprising that as many as eight CIA employees ended up as investors in the company, according to one former employee of the agency.

"There are hundreds of CIA personnel who come to Hawaii," this source said. "It's a perfect base for operations into the Pacific and Asia."

And, he said, despite all the mystique that surrounds them, CIA employees are no strangers to investment disasters.

"At least 150 CIA people in one office I knew were investors in Bernie Cornfeld's IOS operation, and lost their shirts," he said.

HONOLULU STAR BULLETIN (H.A.)

4 April 1984

SEC-Rewald Probe Ends, U.S. Attorney's Case Still Open

By Charles Memminger
Star-Bulletin Writer

Ronald Rewald has agreed in an out-of-court settlement not to violate federal securities laws, bringing to an end the Securities and Exchange Commission's investigation into Rewald and his bankrupt company Bishop, Baldwin, Rewald, Dillingham & Wong.

The U.S. attorney's office, however, still can pursue criminal charges against Rewald for alleged violation of securities laws.

Robert Smith, Rewald's attorney, said he assumes a federal grand jury that has been investigating Rewald for several months still is considering SEC violations.

He said he had anticipated an indictment several months ago. But he now wonders whether Re-

wald will be charged with criminal violations of SEC laws because of the length of time the grand jury has been meeting.

Rewald already has been charged in state court with two counts of theft by deception and a state grand jury also is continuing its investigation.

YESTERDAY, U.S. Judge Martin Pence issued a permanent injunction against Rewald and the bankrupt investment company ordering them not to violate securities laws. The order was the result of a deal between Rewald and the SEC in which Rewald agreed not to oppose the permanent injunction but would not admit to having violated securities laws.

Bankruptcy attorney Timothy Holzer said the "consent agreement" entered into by Rewald is something like a "no-contest" plea in a criminal trial, where the defendant neither admits nor denies committing a crime.

The agreement allowed the SEC to get an order permanently stopping Rewald from violating securities laws without having to go to trial and prove its case against the former investment adviser.

The SEC filed a complaint against Rewald last Aug. 8.

Rewald specifically agreed not to:

- Solicit money from investors through false statements about his business background, how the money will be invested, the payment of commissions to salespeople, how the money is insured and the educational background of corporate officers.

- Publish or distribute any advertisement containing false or misleading information.

- Engage in any scheme to defraud any client or prospective client.

ANITA NAGLER, SEC attorney, said that obtaining a permanent injunction is as far as the SEC can go to enforce its laws. Nagler, who works out of Los Angeles, said the commission has no power to pursue criminal prosecution, although the commission can turn over information to the U.S. attorney's office.

She would not say whether the SEC has turned over its investigative reports on Rewald to the U.S. attorney's office here.

Nagler said the SEC has not given up its right to try to force Rewald to forfeit personal assets if it can be shown those assets were bought with investors' money obtained through fraudulent means. But she said the SEC is willing to let the bankruptcy trustee pursue those claims on behalf of investors.

Bankruptcy attorneys were to appear in court this morning to seek court approval to sell Rewald's polo ponies. Judge Pence already has approved the sale of Rewald's \$1 million waterfront house.

Attorney Smith told Pence yesterday that many of Rewald's personal assets were bought with money given to Rewald by the CIA and not investors.

Pence asked Smith whether the CIA had paid for Rewald's polo horses and houses, Rewald's children's \$9,000-a-month tuition and the thousands of dollars that went to Rewald's relatives.

"YOU MEAN the CIA even paid for the waterfall in his office?" Pence asked, referring to an elaborate man-made waterfall that decorated one wall of Rewald's 28th-floor office in downtown Honolulu.

Smith said that he couldn't say which specific items were bought with CIA money.

Smith was in federal court to ask Pence to modify a gag order limiting discussion of CIA-related

matters. Smith claims that under the order he cannot even discuss CIA matters with his investigator, who is trying to obtain evidence to support Rewald's contention that the CIA pumped money into the company.

Without ruling on the merits of Smith's motion, Pence denied it, saying it was incorrectly filed. Smith said he will refile the motion.

Thomas Hayes, bankruptcy administrator, said again yesterday that all of the evidence he has come up with indicates that Rewald's personal assets were paid for with investors' money.

Even if someone were to accept Rewald's contention that the CIA had pumped money into his company, it would still not explain why money invested by hundreds of legitimate investors was spent and not invested, Hayes said.

Rewald is suing Hayes for \$150 million for invasion of privacy and defamation of character.

15 March 1984

Rewald Can't Press CIA Suit on Behalf of Bankrupt Firm

By Charles Memminger
Star-Bulletin Writer

U.S. Judge Martin Pence yesterday denied Ronald Rewald's request that the administrator of Rewald's bankrupt investment company give up his claim to sue the CIA and transfer that right to Rewald.

Rewald's attorney, Robert Smith, told Pence that the suit against the CIA was the investors' "only hope" of recouping their investments and that Rewald has "the greatest interest" of any parties involved in pursuing the claim.

He also pointed out that administrator Thomas Hayes has said publicly he thinks there is no basis for a suit against the CIA.

But bankruptcy attorney James Wagner said Hayes still is investigating the possibility of a suit against the CIA and does not want to give up the right to file such a suit.

Rewald is pursuing his claim against the CIA anyway, Smith said. He has filed a \$671 million claim against the CIA as a third-party plaintiff in another civil case related to the bankruptcy.

Smith said Rewald also is pursuing a personal claim against the CIA alleging mental anguish and distress. That suit currently is in

limbo because of legal technicalities involved in suing the CIA.

REWALD ALSO had wanted to sue the CIA on behalf of the bankrupt company, but can only do so if the bankruptcy trustee gives up his right to sue the CIA. Wagner said trustee Reynaldo Gaulty does not want to give up that right and Pence refused yesterday to order him to do so.

Rewald contends in court documents that he was a covert CIA agent and that the CIA propped up his company with large infusions of money.

Hayes has said he's found no documents to support that contention.

Smith said Hayes has not made an effort to trace company checks to the original source of their funds to confirm the alleged CIA involvement. Smith said such an effort would cost at least \$500,000, which Hayes does not want to spend.

Smith said Mainland attorney Melvin Belli, who is representing an investor in the bankrupt company, has agreed to bear that cost to pursue that contention.

Rewald met with Belli on his recent visit to the Mainland and said Belli is still anxious to pursue the CIA claim.

Belli is scheduled to come to Hawaii next month in connection with the claim.

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28 March 1984

Rewald Suing 2 Magazines, Administrator

By Charles Memminger
Star-Bulletin Writer

Ronald Rewald yesterday filed a \$10 million defamation suit against Time Inc. for articles written about him that appeared in Time Magazine and Money magazine last year.

Another \$10 million suit is to be filed against Bankruptcy administrator Thomas Hayes, according to attorney James J. Goodwin, of the law firm of Rodney A. Klein in Sacramento.

Rewald, during a recent trip to the Mainland, hired Klein to represent him in civil cases.

Klein was unavailable for comment, but his associate, Goodwin, said the Time Inc. suit was filed in San Francisco Superior Court and charges that the articles defamed Rewald and were an invasion of privacy. The articles detailed the rise and fall of Rewald and his company — Bishop, Baldwin, Rewald, Dillingham & Wong.

GOODWIN SAID a second suit has been sent to Honolulu to be filed in Circuit Court here charging Hayes with defamation and invasion of privacy.

"My response is I have no comment until I get to see the suit," Hayes said after being notified that the legal action is being taken.

Goodwin said his firm initially was hired by Robert Jinks, a former Rewald business associate, to file suit against the CIA on behalf of some investors.

The investors contend Jinks told them Rewald's company was associated with the CIA and the funds were protected, Goodman said.

Klein also will be filing a suit against the CIA on Rewald's behalf, Goodwin said.

Rewald said the "only purpose" of the suits is to raise money to pay back investors who lost millions of dollars in his company. Rewald said he will do anything to raise the money, including selling the book rights to the rise and fall of his company. He said he currently is "talking to some people" about selling the book rights to his story.

Rewald said, however, he "definitely" is not planning any suits against the local news media for its coverage of him and his bankrupt company.